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STATE FOR EAP/TC, PM/DTCC AND ISN/MTR

PM/DTCC FOR BLUE LANTERN COORDINATOR RACHAEL-THERESE S. JOUBERT-LIN

E.O. 12958: N/A

TAGS: [ETTC](#) [KOMC](#) [TW](#)

SUBJECT: TAIWAN: RESULTS OF BLUE LANTERN PRE-LICENSE 050180288

REF: STATE 76386

¶1. (SBU) SUMMARY. Per reftel request, AIT/T contacted the end user, the Chung Shan Institute of Science and Technology (CSIST), and visited consignees May Geng Duo Development Co., Ltd. and Channel Link Inc.

CSIST

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¶2. (SBU) Mr. Liao Wei-yao from CSIST Procurement Office confirmed the order of three X-band 80W power amplifiers. The contract to provide amplifiers went to May Geng Duo.

¶3. (SBU) May Geng Duo began bidding on CSIST contracts about one year ago and Channel Link began about 15 years ago.

¶4. (SBU) The items will be used for the telemetry system on the ground-launched Tien-Chien II missile launch system.

May Geng Duo

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¶5. (SBU) May Geng Duo is an importer of apparels and electronic-product components. The company was established about 3 years ago. There are six owners who are not related to each other.

¶6. (SBU) Mr. George Chang serves as a Sales Manager for Microwave/RF Components Department in May Geng Duo. About three years ago, owners from May Geng Duo approached Mr. Chang requesting his assistance in establishing of RF business because of his expertise in the areas. (Note: Mr. Chang has been the General Manager as well as one of the owners of Channel Link since 1991. End note.)

¶7. (SBU) As Channel Link is in the process of shedding its government contracts business, May Geng Duo is in the process of bidding on and winning contracts with CSIST.

¶8. (SBU) For the apparel business, May Geng Duo receives orders and then subcontracts to local manufacturers. For electronic-product components business, CSIST is the only customer.

¶9. (SBU) At present, the company has three contracts with CSIST, but only this one requires an export license.

¶10. (SBU) Although May Geng Duo's office registration address is 11F-6, No. 23, Chang An E. Rd., Sec. 1, Taipei City, it has another office located at 1F, No. 169, Baoyi Rd., Wunshan District, Taipei City. Mr. Chang explained that, because the office located on Baoyi Rd. is much closer to CSIST, he put down that address as the delivery address. Upon receiving the goods in Taiwan, FedEx will contact Mr. Chang. He then will go to the office on Baoyi Rd. to receive the goods. Mr. Chang will inspect the goods and then deliver them to CSIST the same day or the day after. Mr. Chang stated that the Baoyi Rd. office is not staffed; that it is just an address.

¶11. (SBU) AIT visited May Geng Duo's office on Baoyi Rd. At the

time of the visit, the office was staffed with an accountant and a secretary. The office is at street level with a steel gate which is kept closed. Access to the office is through a back alley. The office has a locked storage room where the goods will be kept overnight, if necessary. When asked why he stated that the office was just an address when there is staff located there, Mr. Chang stated that he was confused about the question. What he meant was there was no person present at the time of AIT's first visit to May Geng Duo on Chang An Road. In fact, the Baoyi Rd. office is now staffed during business hours because its RF business is picking up. He said it is unclear whether May Geng Duo will continue to operate the office in the future.

#### Channel Link

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¶12. (SBU) Established in 1991, Channel Link is an importer for RF and microwave products. There are four owners and Mr. Chang is one of them.

¶13. (SBU) The company serves as an agent for many U.S. manufacturers, including the American Technology Ceramic, Microwave Developing Laboratory, and Dynawave.

¶14. (SBU) About 80 percent of its business is generated from government contracts, and 20 percent from commercial ones.

#### Relations between May Geng Duo and Channel Link

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¶15. (SBU) There is no legal relationship between these two companies. Because May Geng Duo has no business connections in the US, Mr. Chang placed the order from Channel Link to his acquaint US suppliers to May Geng Duo. May Geng Kuo was listed as the receiver and payer for the goods. In effect, Channel Link acted as the importer for May Geng Duo. This is an informal arrangement between Channel Link and May Geng Duo; no written agreement exists between the two companies.

¶16. (SBU) Mr. Chang understands restrictions of no re-export and retransfer of the USML items.

WANG